



2003 ANNUAL REPORT

Economic Policy Institute

Overview:

The Economic Policy Institute is a non-governmental non-for-profit organization, founded on 12 May 1997.

Its mission is to encourage and support the implementation of free market experience and know-how that will influence Bulgaria's effective participation in the global economy and its membership in Euro-Atlantic structures.

EPI's primary tasks are:

- to bring experts together to explore issues and exchange views in order to generate innovative proposals for practical economic policy measures;
- to provoke public discussions on economic issues;
- to provide independent expert opinions and analyses;
- to inform and influence policy- and decision makers and the society;
- to encourage pro-active dialogue;
- to research economic issues and introduce best practices;
- to provide analysis of alternative approaches to economic issues.

Activities:

The main fields of activities for the EPI are:

- Advocacy work: advising Government and Parliament bodies;
- Analysis of alternative approaches to economic policies;
- Recommendations of policy changes aimed at encouraging economic growth;
- Training of politicians, policy-makers, corporate managers and private entrepreneurs;
- Research projects on economic issues.

KNOWLEDGE – ENGINE FOR PROSPERITY AND DEVELOPMENT (2002 - 2003)

The project was implemented with the kind assistance of the World Bank Mission to Bulgaria and under the patronage of the Ministry of Economy of Bulgaria

1. Goals:

- Encouraging discussion and expressing ideas of Bulgarian students on the problems and achievements of the Bulgarian education system
- Encouraging students to get more involved in the reform process, needed to be undertaken for the increasing the education system's efficiency and quality

2. Activities:

(continuation of project activities, initiated in 2002)

- Organizing the Essay Competition among students *Knowledge – Engine for Prosperity and Development*
 - Awarding ceremony and seminar with the participation of stakeholders (businesses, governmental officials, students and academics)
- Dissemination of a brochure, containing nominated essays

3. Outcomes:

- Publication: *Knowledge – Engine for Prosperity and Development*, Economic Policy Institute, 2003 (issue in Bulgarian)
- Organizing of 6 Internships:
 - Bulgarian Ministry of Economy – 2 interns
 - Holding "Doverie" – 2 interns
 - Economic Policy Institute – 2 interns

4. Public events:

- Awarding ceremony and seminar (June 26, 2003, Sofia)
- 3 awards to the winners:
 - 1st award - 700 lv
 - 2nd award – 500 lv
 - 3rd award - 300 lv

Participants:

Nominees in this year's essay competition and from the previous four years

Mr Oscar de Bruyn Kops, Resident Representative, World Bank Mission to Bulgaria

Mrs. Snejana Andelova, Ministry of Economy of Republic of Bulgaria

Irena Mladenova, Executive Director, EPI

Prof. Tzvetan Devidkov, Sofia University "St. Kliment Ohridski"

Mr. Petkan Iliev, University for National and World Economy

Mr. Teodor Daskalov, head of the internship programmes at the Bulgarian International Business Association (BIBA),

Mr. Mileti Mladenov, Guarantee Fund Civil Liability Reassurance

Petia Tzekova, Chief Economist, United Bulgarian Bank

Journalists



Mr Oscar de Bruyn Kops, Resident Representative, World Bank Mission to Bulgaria: **Dobromir Dobrev**, student, Sofia University "St. Kl. Ohridski" - First Poire Winner

PREPARATION FOR EU ACCESSION - SUMMER SEMINAR FOR YOUNG PUBLIC SERVANTS FROM SOUTHEASTERN EUROPE

- Fourth Annual Edition (September 6-10, 2003, "A La Fiesta Holiday Complex", Bulgaria)

The Summer Seminar was organized in the frame of the joint project of the Bertelsmann Foundation and the World Bank: "Towards European Integration", with the support of the Embassy of the Federal Republic of Germany, the Bertelsmann Foundation and the Central European Initiative

1. Goals:

The aim of the initiative is:

- To create a basis for a cross border network among the young public administrators in the SEE region
- To contribute to the process of exchange of experience and mutual learning on common problems related to the preparation for EU membership

2. Activities:

"PREPARATION FOR EU ACCESSION" - SUMMER SEMINAR FOR YOUNG PUBLIC SERVANTS FROM SOUTHEASTERN EUROPE (September 6-10, 2003, "A La Fiesta Holiday Complex", Bulgaria)

3. Outcomes:

Publication:

"Summer Seminar for Young Public Servants", Economic Policy Institute, Sofia 2003, ISBN: 954-91081-6-3

LIST OF CONTRIBUTORS

Mr. Daniel Blum, Cultural attache Second Secretary, Embassy of the Federal Republic of Germany, Sofia

Dr. Martin Brusis, Senior Researcher, Bertelsmann Group for Policy Researcher, Center for Applied Policy Research, Ludwig-Maximilians-University, Munich

Ms. Ralitza Dimitrova, Chief Expert Eurointegration Directorate, Ministry of Foreign Affairs, Sofia

Prof. András Inotai, Director General, Institute for World Economics, Hungarian Academy of Sciences, Budapest

Mrs. Diana Ivanova, Head of European Integration Department, Ministry of Energy and Energy Resources, Sofia

Mr. Lothar Jaschke, Minister Counsellor, Austrian Embassy, Sofia

Mr. Oscar de Bruyn Kops, Country Manager, World Bank Mission in Bulgaria, Sofia

Prof. George Manliev, Executive Director, Institute for Public Administration and European Integration, Sofia

Elitsa Markova, Project Director, Economic Policy Institute

Irena Mladenova, Executive Director, Economic Policy Institute

Dr. Liviu Mureşan, Executive president, EURISC Foundation

Mr. Krassimir Nikolov, Senior Expert, Institute for European Studies and Information, Sofia

Mr. Thomas Ossowski, Counsellor, German Secretariat to the EU Intergovernmental Conference, Auswaertiges, Amt, Berlin

Mrs. Antoinette Primatarova, Project Director, Center for Liberal Strategies, Sofia

Mrs. Gabriele Schoeler, Project manager, Bertelsmann Foundation, Guetersloh

Mr. Andreas Somogyi, Councillor, Ministry of Foreign Affairs of the Republic of Austria

H.E.Dr. Tonic Stanicic, Ambassador of the Republic of Croatia, Embassy of the Republic of Croatia

Mr. Tzviatko Velikov, Chief Expert, European Integration and Relations with IFIs Directorate, Council of Ministers, Sofia



Summer Seminar - working group

TASK FORCE ON THE FINANCIAL SECTOR RESTRUCTURING IN SOUTH EASTERN EUROPE (2002-2003)

The project is supported by the Reintegration and Leadership Development Program, sponsored by the Freedom House Foundation, with funding provided by the US Agency for International Development

1. Goals:

The core goal of the project was to establish a multilateral network of experts (a Task Force) to study and provide recommendations on financial services sectors in the region in order to promote effective governmental reform agendas. The project sought to:

- Provide the banking community in Bulgaria and Serbia with insights successful restructuring;
- Facilitate the networking and communication opportunities between banking communities in Bulgaria and other South-East European countries;
- Contribute to the strengthening of the civil society and public engagement in the transformation processes in the region;
- Assist Bulgarian and Serbian financial services sector experts by providing independent information and analysis and support the decision making process;
- Reveal the main pitfalls and dangers of the restructuring process in the SEE and propose possible ways of evading them;
- Review the driving forces of change that are impacting both the global and regional financial services sectors and transfer expertise and best practices to the region.

2. Activities:

(continuation of project activities, initiated in 2002)

- Expert Meeting (Sofia, September 25, 2003)
- Country studies on financial sector reforms in Bulgaria and Serbia
- International Conference (Belgrade, October 27, 2003)

3. Outcomes:

Publications:

"Financial Sector Restructuring in SEE. Country Studies on Bulgaria and Serbia", Economic Policy Institute in cooperation with Economic Institute, Sofia 2003, ISBN 954-91081-2-0

"Progress Made and Remaining Challenges to Financial Sector Restructuring in Bulgaria and Serbia", Economic Policy Institute, Sofia 2003, ISBN 954-91081-7-1

4. Public Events:

Financial Sector Restructuring in Bulgaria and Serbia Expert meeting, Sofia, September 25, 2003

PARTICIPANTS LIST:

Ivan K. Drenovichki, Political/Economic Section, Embassy of the United States of America (Sofia)

Nikola Fabris, Senior Research Fellow, the Economics Institute; Professor at the Faculty of Economics (Belgrade)

Sanja Filipovic, Research Fellow, the Economics Institute (Belgrade)

Jelena Galic, Executive Director, the Economics Institute (Belgrade)

Georgi Iliev, Research Fellow, Economic Policy Institute (Sofia)

Elitsa Markova, Project Director, Economic Policy Institute (Sofia)

Irena Mladenova, Executive Director, Economic Policy Institute (Sofia)

Vladimir Pavlov, Chairman of the Advisory Board, Foundation for Entrepreneurship Development (Sofia)

Petya Tsekova, Chief Economist, United Bulgarian Bank (Sofia)

Ventseslava Yanchovska, National Programme Officer, Cooperation Office, Embassy of Switzerland (Sofia)

Financial Sector Restructuring in Bulgaria and Serbia
International Conference, Belgrade, October 27, 2003

SPEAKERS:

Jelena Galic, Executive Director, the Economics Institute, Belgrade

Sanja Filipovic, Research Fellow, the Economics Institute, Belgrade

Nikola Fabris, Senior Research Fellow, the Economics Institute; Professor at the Faculty of Economics, Belgrade

Lena Roussenova, Senior Economist, European Institute, Sofia

Petya Tsekova, Chief Economist, United Bulgarian Bank, Sofia

Vladimir Pavlovic, Advisor in the Treasury Department, Ministry of Finance and Economy, Republic of Serbia, Belgrade

Srđan Lazovic, Economic Consultant, Department for European Integration, Ministry of International Economic Relations, Republic of Serbia, Belgrade

Rossen Grozev, Senior Counselor and Legal Advisor of the Deputy Governor, Bulgarian National Bank, Sofia

D EVELOPMENT STRATEGY FOR SMEs IN THE BULGARIAN TOURISM SECTOR (2002-2003)

The project is funded by the German Marshal Fund of the United States within the framework of the "Support for Key Central and Eastern European Policy Institutions", Program on Transatlantic Policy

1. Goals:

The **purpose** of the project is to support the development of the Bulgarian tourist industry and implement the lessons learned in the field of financing, education and training, promotion of export orientation, building competitiveness of SMEs and thus increase the competitive standing of the sector.

2. Outcomes:

- Publications:
"Small Enterprises in Tourism", Economic Policy Institute, Sofia 2003 (BG edition), ISBN: 954-91081-4-7
"Strategies in Tourism", Economic Policy Institute, Sofia 2003 (BG edition)
"Encouraging Entrepreneurship in Tourism", Economic Policy Institute, Sofia 2003 (BG edition)
"Fostering Competitive Tourism Industry in Bulgaria", Economic Policy Institute, Sofia 2003 (BG and ENG edition)

3. Public events:

- *(continuation of project activities, initiated in 2002)*
 International conference (January, 2003)

Participants:

70 representatives of Bulgarian and international tourist stakeholders: regional organizations and associations, municipalities, NGOs, academics, governmental institutions, donor organizations in Bulgaria, GTZ-Skopje, Black Sea Economic Cooperation (Istanbul), USAID Missions in Sofia and Sarajevo etc.

Speakers:

Irena Mladenova, Executive Director, Economic Policy Institute, Sofia
Leah Davcheva, Director, Cultural and Literature Researches, British Council, Sofia
Mila Mineva, Member of the Initiative Group; Lecturer, Sofia University St. Kliment Ohridski

"Miguel" **Marguerite Misteli**, Development planner and Tourism practitioner, Bern/Skopje

George Tchernev, Vice President, Bulgarian Chamber of Commerce and Industry, Sofia

Dr. Costas Masmanidis, Secretary General, Black Sea Economic Cooperation, Business Council - International Secretariat, Istanbul

Georgi Iliev, Research Fellow, Economic Policy Institute, Sofia

Emilia Germanova, Team Leader, Business Center, Isperih

Rositsa Djambazova, Executive Director, Business Incubator, Gotse Delchev

Nelly Dimitrova, Investment Officer, Bulgarian American Credit Bank, Sofia

Peter Petrov, Executive Director, Bulgarian Association for eco and rural tourism, Sofia

Lilia Hristova, Coordinator, Tourism Research Institute, Sofia

REVOLVING THE POTENTIAL OF IT FOR ENSURING COMPETITIVENESS IN TOURISM SECTOR (2003 – 2004)

The project is funded by the German Marshall Fund of the United States within the framework of the "Support for Key Central and Eastern European Policy Institutions", Program on Transatlantic Policy

1. Goals:

The project seeks a widespread discussion on the advantages and disadvantages, on obstacles and favorable circumstances for implementing online strategies in the tourism sector and tries to outline some possible solutions. In this respect its concrete specific goals are:

- Identifying the major pitfalls in the specific segments and reveal the main opportunities;
- Delivering US and other foreign expertise and transfer practical experience in the area by involving key researchers and practitioners;
- Strengthening the existing internal relations and interconnections between the two sectors and within each one separately;
- Promoting the establishment of international corporate relations and develop the existing ones in both sectors;
- Providing practical advises for implementation of online strategies;
- Establishing and utilizing new approaches and techniques in reaching common stand-points;
- Elaborating a Policy Paper to support policy-making and decision taking process

2. Outcomes:

- *Publications in specialized magazines and newspapers, daily press and periodicals* - in an effort to raise public awareness and disseminate project findings, EPI contacted Bulgarian media to establish cooperation. So far, EPI researchers published several articles discussing tourism and IT correlation and opportunities for enhancing competitive and profitable tourism through application of IT
- *On-line forum* - a method for discussing project findings and related issues

3. Public Events:

- Expert meeting (May 23, 2003, Sofia)
- Expert meeting (July 07, 2003)

1. Expert Meeting - "Revealing the Potential of Information Technology for Ensuring Competitiveness in Tourism Sector" (May 23, 2003, Sofia)

Participants:

Representatives of the government, tourism associations, governmental and non-governmental institutions working on the tourism and SME issues and donor organizations:

- Economic Policy Institute
- Bulgarian Ministry of Economy (National Tourism Policy Dept),
- Tourism associations (Bulgarian Association for Alternative Tourism; Bulgarian Hoteliers and Restaurateurs Association; Bulgarian Association of Travel Agents; Bulgarian Chamber of Tourism)
- Businesses (ghh consult GmbH /Germany/; Prima Soft OOD /Bulgaria/; IDG Bulgaria; Ein-Sof /Macedonia/) - International organizations and embassies to Bulgaria (USAID-Bulgaria, UNDP - Rodopi Project /Bulgaria/; Firm Level Assistance Group (FLAG) /Bulgaria/; Management Systems International (MSI) - Bulgaria; CECE - GTZ Private Sector Promotion /Macedonia/; Embassy of the United States of America to Bulgaria; Embassy of the Federal Republic of Germany to Bulgaria)
- Bulgarian-American Credit Bank
- International University, Sofia
- Business Incubator - Gotse Delchev, Bulgaria
- Media (Dnevnik Online)

2. Second Expert Meeting - (July 07, 2003)

Participants: EPI members, independent experts.

LEGAL AND ECONOMIC BARRIERS TO BANK LENDING IN BULGARIA (2001 – 2003)

The Project is financed by the Austrian National Bank under contract Jubilaeumsfondsprojekt Nr. 8432

1. Goals:

- To gain better understanding of economic and legal constraints on banking system in Bulgaria, in the framework of international prudential standards and the recommendations of the European Commission in connection with the negotiations for accession;
- To propose a strategy for improving legal framework for banking activities.
- To examine impact of economic barriers on banking activities.

2. Outcomes:

During the year 2003, the Economic Policy Institute successfully finalized the project with the printing of a special edition, containing research results and recommendations:

"Economic and Legal Barriers to Credit Financing in Bulgaria", Economic Policy Institute, Sofia, 2003, ISBN: 954-91081-8-X

INSTITUTIONAL IMPROVEMENTS FOSTERING ECONOMIC GROWTH (2003-2004)

This project is supported by a Grant from the Center for International Private Enterprise in Washington, D.C.

1. Goals:

- By this project, EPI seeks to achieve the following goals:
To identify instances where
 - the operating legislation does not provide the desired degree of safety and certainty to investors' contractual rights and rights against the government administration;
 - government institutions or the judiciary fail to enforce the law effectively so as to protect contractual and other property rights;
 - government institutions or the judiciary maintain non-transparent practices which prevent businesses from getting detailed information on how the law is being applied;
 - existing administrative procedures/services that have material effect on the way business is done, which are not sufficiently predictable or can be simplified at no significant cost for the administration.
- *To study* the reasons for the existence of the above instances and failures;
- *To generate* proposals on policies, regulations and practices in the field of institutional reform to foster confident legal and institutional environment and stimulate investment activity and economic growth;
- *To create* effective co-operation with relevant institutions and involve their representatives in technical and policy discussions on the Project Topics thereby stimulating their reform.

2. Activities:

- *Expert meeting (17 October, 2003)* – It discussed the current developments of the institutional framework and specified the research approach
- *Research preparation* - The project team, consisting of EPI staff members and external experts, worked on clarifying the questionnaire and interviewees list
- *Research on secondary data* - The project team researched on secondary data – available studies on relevant topics, study on the legal framework and the economic environment

C CLUB FOR EXCHANGE OF INFORMATION, EXPERIENCE AND NETWORKING IN THE FIELD OF BULGARIA'S PREPARATION FOR EU ACCESSION - "T'Club"

A follow up initiative of the Summer Seminars "Preparation for EU Accession", facilitated by EPI on voluntary basis.

1. Goals:

T'Club's basic aims are:

- To improve the effectiveness of the structures, dealing with the problems of Bulgaria's preparation for EU membership
- To improve the Bulgarian public administration's image in the society
- Raising public awareness on the processes of European integration and Bulgaria's future role in the EU
- Promotion of European best practices at the working place and in professional relations
- To create a forum for open discussions and exchange of ideas on the future of Europe

Concrete goal of T'Club is:

- Professional improvement throughout enhanced communication and cooperation

2. Activities:

T'Club is an informal structure and its members (young public servants) meet on regular basis at informal and official meetings. At the informal meetings the general direction of the initiative is discussed, as well as the proposals for the organization of official meetings.

During 2003, in the framework of the initiative 5 formal and 12 informal meetings were implemented.

3. Public Events:

Guest speakers to the formal meetings were:

1. Mr. Oscar de Bruyn Kops, Country Manager, World Bank Mission to Bulgaria

2. Formal (founding) meeting of T'Club

3. Mrs. Meglena Kuneva, Minister of European Affairs of Republic of Bulgaria

4. Mrs. Ingrid Shikova, Director, Information Centre of the European Union (Sofia)

5. Mr. Erik Evtimov, Lawyer, Secretary of the Swiss European Union Studies Association; Assistant in Bern University (Switzerland)



T'club meeting with Ms. Meglena Kuneva, Minister of European Affairs, April 16, 2003

Europe's South-East Beyond Enlargement

Discussion Forum, organized together with the Bertelsmann Foundation (Sofia, February 3, 2003)

Public Events:

The following two papers were presented by Mr. Wim van Meurs (Senior Research Fellow, Bertelsmann Group for Policy Research, Center for Applied Policy Research, CAP, Munich):

- The European Union and the Balkans: From Stabilization Process to Southeastern Enlargement
- Toward a Multi-Layered Europe: Prospects and Risks Beyond EU Enlargement

Contributors:

Opening speech:

Ms Meglena Kuneva, Minister of EU Affairs of the Republic of Bulgaria

Discussants:

Marin Lessenski (Program Coordinator, Institute for Regional and International Studies, Sofia)

Krassimir Kostov (Directorate "Europe-1, Southeastern Europe", Ministry of Foreign Affairs of the Republic of Bulgaria)

Dr. Dinko Dinkov (University of National and World Economy, Sofia)

Desislav Mihailov (Research Fellow, Economic Policy Institute, Sofia).
Participants:

H.E. Jose Angel Lopes Jorin, Ambassador of the Kingdom of Spain

Danko Prokic, Minister Counsellor, Embassy of the F.R. of Yugoslavia

Marian Pavelescu, Counsellor, Embassy of Romania

Eric Anthony Jones, Economic Secretary, Embassy of the US representatives of the government, the business and NGO sectors journalists

Participants:

H.E. Jose Angel Lopes Jorin, Ambassador of the Kingdom of Spain

Danko Prokic, Minister Counsellor, Embassy of the F.R. of Yugoslavia

Marian Pavelescu, Counsellor, Embassy of Romania

Eric Anthony Jones, Economic Secretary, Embassy of the US representatives of the government, the business and NGO sectors journalists



BILATERAL MEETING

Organized within the cooperation framework of the Institute for World Economy at the Hungarian Academy of Sciences (Budapest) and the Economic Policy Institute (Sofia)

1. Goals:



To initiate a basis for practical cooperation and exchange of experience between Bulgarian and Hungarian researchers on EU-related issues.

2. Public events:

Bilateral meeting (20 October, 2003, Budapest, Institute for World Economy)

Major topics:

- State of negotiations between Bulgaria and the EU;
- Reflections on the Hungarian preparation for EU membership;
- Current macroeconomic trends in Bulgaria and Hungary;
- FDI flows in Bulgaria and Hungary

EUROPE BEYOND THE FIRST ENLARGEMENT

International Seminar, organized by the Hanns-Seidel Foundation, in cooperation with the Institute for World Economics, Budapest and the Economic Policy Institute, Sofia (October 21 – 22, 2003, Pécs, Hungary).

1. Goals:

The seminar was aimed at bringing together experts from current EU member states (Germany and Austria), one acceding country (Hungary) as well as from candidate and would-be candidate countries (Bulgaria, Romania and Croatia). The discussions focused the potential impacts of the first wave of enlargement in political and security, economic and financial and social and cultural terms on South Eastern Europe on the one hand, and on the future of the enlarged European Union, on the other, as well as the prospects of regional cooperation in the next years.

2. Public events:

“Europe Beyond the First Enlargement”, International Seminar (Pécs, Hungary, October 21 – 22, 2003).

LIST OF EPI'S PUBLICATIONS issued in 2003:

"Preparation for EU Accession", Economic Policy Institute, Sofia 2003, ISBN: 954-91081-6-3 (issue in English)

"Politics of Regulatory Impact Assessment. Best Practices and Lesson-Drawing in Europe American University in Bulgaria", Sofia 2003 (issue in Bulgarian and in English), ISBN: 954-90484-2-X

"Science and Knowledge – Engines for Prosperity and Development (collection of nominated and awarded essays)", Economic Policy Institute, Sofia 2003 (issue in Bulgarian)

"Small Enterprises in Tourism", Economic Policy Institute, Sofia 2002 (issue in Bulgarian); ISBN: 954-91081-4-7

"Strategies in Tourism", Economic Policy Institute, Sofia 2003 (issue in Bulgarian)

"Fostering Entrepreneurship in the Tourism Sector", Economic Policy Institute, Sofia 2003 (issue in Bulgarian)

"Fostering Competitive Tourism Industry in Bulgaria", Economic Policy Institute, Sofia 2003 (issue in Bulgarian and in English)

"Financial Sector Restructuring in SEE. Country Studies on Bulgaria and Serbia", Economic Policy Institute in cooperation with Economic Institute, Sofia 2003, ISBN 954-91081-2-0

"Progress Made and Remaining Challenges to Financial Sector Restructuring in Bulgaria and Serbia", Economic Policy Institute, Sofia 2003, ISBN 954-91081-7-1

"Economic and Legal Barriers to Credit Financing in Bulgaria", Economic Policy Institute, Sofia, 2003, ISBN: 954-91081-8-X

PAPERS AND SPEECHES DELIVERED AT INTERNATIONAL AND NATIONAL CONFERENCES:

Elitsa Markova

January – March 2003, Internship at the Bertelsmann Foundation, Guetersloh, Germany, International Relations Department.

"Aktuelle Formen der Mobilität als Beitrag zum gemeinsamen Wissensraum – Schwerpunkt Bulgarien", delivered at „Das Neue Humanpotenzials Mittel-, Ost und Südosteuropa auf dem Weg zur Wissensgesellschaft, organized by the Institut fuer den Donaauraum und Mitteleuropa, Vienna, February 2003

„The Fights against Terrorism and the European Integration", Lessenski, Markova, Group for European Research and Forecasts (GEPI) to the Open Society Institute, Sofia 2003

"Die Zukunft Südosteuropas nach der Erweiterung in 2004", delivered at the international seminar „Europe Beyond the First Enlargement", organized by the Hanns-Seidel Foundation, the Institute for World Economics (Budapest) and the Economic Policy Institute (Sofia), Pécs, Hungary, October 21-22, 2003

Irena Mladenova

"Agricultural Development in Bulgaria and EU Programmes", delivered at Oxfam seminar on EU integration, 4 June, 2003

"Sustainable and Competitive SME Sector – the Case of Bulgaria", delivered at 3rd Sub-Regional Conference of the OSCE Parliamentary Assembly on "Promoting Small and Medium-sized Enterprises, Bern, Switzerland, 14-16 May 2003

"Financing Opportunities for SMEs", delivered at the regional conference "Local Authorities in support of small businesses" and business forum "Invest in the Central Stara Planina Region", organized by the Regional Municipalities Association "Stara Planina", Gabrovo, Bulgaria, 24-25 September, 2003

"The Consequences of the First Eastern Enlargement for the Region: Challenges and Tasks. (Economy and Finances)", delivered at the international seminar „Europe Beyond the First Enlargement”, organized by the Hanns-Seidel Foundation, the Institute for World Economics (Budapest) and the Economic Policy Institute (Sofia), Pécs, Hungary, October 21-22, 2003

Plamena Spassova

"Citizen participation in local governance in Bulgaria", delivered at European youth exchange programme: "Citizen Participation in Local Governance" organized by CIVITAS Foundation for Civil Society, Cluj, Romania, September 18-23, 2003

President: **Prof. Dr. Andras Inotai**, General Director, Institute for World Economics, Hungarian Academy of Sciences

Board of Trustees: Chairman: **Andrey Evtimov**
Executive Director, "Doverie" Holding

The Atlantic Club of Bulgaria

Philippe Rombaut
Executive Director, Agropolychim

Galina Dimitrova
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Chief Economist, European Institute

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Eliza Markova
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Plamena Spassova
Research Fellow

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Special Coordinator, Stability Pact for South-Eastern Europe
President, Institute for the Danube Region and Central Europe (IDM)

Assoc. Prof. Dr. Mileti Mladenov
Guarantee Fund Civil Liability Reassurance

Jean-Pierre Paelinck, Dr. econ.
Secretary General, "EURISA"; Guest Professor H.E.C. Liege

John Dimitry Panitza
President, Free and Democratic Bulgaria Foundation

Angelos Plakopitas
Managing Director, Global Finance

**TO
THE MANAGEMENT OF
THE ECONOMIC POLICY INSTITUTE
FOUNDATION
SOFIA**

AUDIT REPORT

We have audited the financial report of the **ECONOMIC POLICY INSTITUTE FOUNDATION**, Sofia as of 31 December 2003, consisting of a Balance Sheet, an Income Statement, a Cash Flow Statement, and an Equity Statement. The drawing up of the financial report is the responsibility of the management of the Foundation. Our responsibility is to express an opinion on this financial report based solely on our audit.

We conducted our audit in accordance with the professional requirements of the National Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial report is free of material misstatement. The audit included checks on the basis of tests of evidence with regard to the amounts and disclosures represented in the financial report. The audit included also assessment of the accounting principles applied and the material approximate assessments made by the management, as well as the overall representation in the financial report. We believe that our audit provides a reasonable basis for our opinion.

As a result, we hereby confirm that the financial report presents fairly, in all material respects, the property and financial position of the Foundation as of 31 December 2003 and the financial results and the cash flows for the same year in accordance with the financial results, as well as the changes of the cash flows in conformity with the national accounting legislation.

AUDITOR:
Mikhail Dinev (signed)
Registered Auditor
Seal



19 March 2004
Sofia

**TO
THE MANAGEMENT OF
THE ECONOMIC POLICY INSTITUTE
FOUNDATION
SOFIA**

EXTENDED AUDIT REPORT

**By
MIKHAIL DINEV, Registered Auditor
Diploma No. 0003 of 1991**

Re: Verification and Audit of the Annual Report of the ECONOMIC POLICY INSTITUTE FOUNDATION, SOFIA for 2003

DEAR SIRS:

In March 2004, the audit of the 2003 annual financial report of the ECONOMIC POLICY INSTITUTE FOUNDATION was completed. The scope of the audit covered the annual balance sheet of the organisation, the income statement, the cash flow statement and the equity statement, as well as the elements of the appendix containing information on the period from 1 January 2003 to 31 December 2003.

The objective of the audit of the annual financial report is to establish the level of compliance of the content of the annual financial statement, resulting from the accounts of the organisation for the said period, with the requirements of the existing legislation in the field of accounting as of 31 December 2003.

The audit was conducted in accordance with the professional requirements of the Accountancy Act, the Independent Financial Audit Act, as well as the National Accounting and Auditing Standards, the Commercial Code and other statutory provisions in the field of accounting. That legislation requires that we plan and perform the audit to obtain reasonable assurance about whether the financial report is free of material misstatement. The audit included checks on the basis of tests of evidence with regard to the amounts and disclosures represented in the financial report. The audit included also assessment of the accounting principles and methods applied to the accounts and their compliance with the accounting policy of THE ECONOMIC POLICY INSTITUTE FOUNDATION in 2003. Some measurements of indicators and analysis of factors operating during the period under review were also made.

The procedures used in the audit of the annual financial report for 2003 are of representative nature. The audit was carried out in accordance with a plan approved in advance and an audit programme, while observing the methodology of independent financial audit. The results of the audit can be summarized in the following

FINDINGS AND RECOMMENDATIONS ON THE PREPARATION OF
THE ANNUAL FINANCIAL REPORT OF THE ECONOMIC
POLICY INSTITUTE FOUNDATION, SOFIA:

The balances in the accounts and the ledger were properly posted in the respective accounts and ledger in the course of the year.

There were observed no unusual accounting entries in 2003.

The accounts and the ledger complied with the information contained in the financial report for the period under review.

There were no unspecified balances in the synthetic and analytical accounts.

The information for 2003 specified in the annual financial report of THE ECONOMIC POLICY INSTITUTE FOUNDATION complied with the accounting registers and the tax return.

There was no netting of assets and liabilities in the drafting of the balance sheet.

The balance sheet and the other elements of the financial report did not include any entries without corresponding information in the accounts.

The entries in the balance sheet and the other elements of the financial report were arranged in terms of their materiality.

The data concerning the preceding year were re-classified with a view to the amendments to the accountancy laws of 2003 so that to ensure comparability of information in the annual financial report.

The appendix to the annual financial report of the Foundation included the necessary information concerning the accounting policy applied, as well as the information subject to disclosure pursuant to the National Accounting and Auditing Standards.

The drafter of the annual financial report of THE ECONOMIC POLICY INSTITUTE FOUNDATION complied with the requirements laid down in Art. 24 of the Accountancy Act.

March 2004
Sofia

AUDITOR:
Mikhail Dinev (signed)
Registered Auditor
Seal

